

October 24, 2006

FINANCE COMMITTEE REPORT

A Finance Committee meeting was held Tuesday, October 24, 2006 at 2:30 p.m. in the County Administration Building, Quorum Court Meeting Room, 215 East Central, Bentonville.

Committee Members Present: Allen, Moore, Sheridan, Stephenson, Summers, Wolf, Wozniak

Others Present: County Judge Gary Black, JP Burton Schindler, County Attorney Ed Gartin, Richard McComas, Michele Anderson, Barbara Ludwig

Media: Michelle Burhenn – Morning News; Jennifer Turner– Benton County Daily Record

JP Tim Summers called the meeting to order at 2:30 p.m.

PUBLIC COMMENTS:

2007 Budget Review -- Comptroller Richard McComas

Richard McComas stated that for a starting point they would be looking at two versions of the Budget Recapitulation—one with a 5% salary increase, and one with a 7% salary increase. He said that they anticipate the Fund Balance to be \$4.5 million as of December 31, 2006. He said the 7% pay increases would cost \$337,000, and there is a possibility of rollback of one-tenth of a mill, which will amount to \$336,225. He said that when they did the Budget, he anticipated the transfer into County Road would be \$5 million, but cuts in the Road Department saved \$250,000. He said this gives them a starting balance of \$4,078,000. He said that 2007 Revenue is anticipated to be \$31,899,000 after commissions, which gives them an anticipated Fund total of \$35 million. He said that anticipated transfers out of County General in 2007 total \$6,145,000, which leaves approximately \$29 million available. He said that they are required by law to hold back 10% of that amount, and noted that the remaining total minus 2007 Budget requests leaves \$1,137,404, which brings the anticipated Fund Balance at the end of next year to \$5,078,323. He said that this does not include any new personnel requests or wage adjustments, and those were discussed in the Personnel Committee last week.

Richard McComas stated that the reason they used 7% for raises is because county employees only received a 3.1% increase last year along with a contribution of \$700,000 to the Health Insurance Fund. He said that due to the new programs that have been implemented, and the lower number of catastrophic claims, this will be the first time that Health Claims will have a reserve balance at the end of the year. He said they do not anticipate any additional funding requests for Health Claims, and they expect to fund it at

the same level that they did last year. He added that they have also repaid the \$400,000 loan that was borrowed from the General Fund last year.

JP Stephenson noted that Social Security has announced a 3.3% increase. Richard McComas stated that 3.3% will be cost of living, and the other 3.7% will be used for merit increase.

Richard McComas explained how they met with the various department heads and made cuts in some of the requests. He said the requests were based on need and not available revenue because it was all done before they knew what the revenue was. He said that tax revenue is very hard to estimate, but he has done trend analysis on the numbers from the last 5 years, and feels that their estimations have been very close. JP Stephenson asked if their software had the capability of projecting the impact of major new tax revenue sources such as Pinnacle Promenade, Lowe's, and Home Depot. Richard McComas stated that it did not, but the first month's sales at the new Sam's Club were \$1.5 million, and they will see that revenue in December. He said that the growth percentages in monthly sales tax revenues have started to flatten out, just as they have been expecting, although August was another \$900,000 month. He said that they have been estimating a 10% sales tax increase in the past, and will continue to do so in order to remain conservative. JP Summers stated that the low numbers in August were probably a result of the high gasoline prices. JP Stephenson stated that the Finance Committee should bear in mind throughout the process that the Personnel Committee has heard requests for additional personnel that he feels are valid, so they are going to have to increase the expenditures. JP Summers stated that they will not look at any personnel requests until they know where they are at on the Bella Vista incorporation. JP Sheridan asked when they would know if there is going to be a rollback. Richard McComas stated that they will know before the November Quorum Court meeting, but the County Clerk is still waiting on some Springdale numbers from Washington County. He said that if there is a rollback, it will be no more than one-tenth of a mill. JP Sheridan asked if they would have the flexibility of raising the millage if there is a rollback. Richard McComas stated that he believed they would be limited to 4.7 mills if there is rollback. JP Summers stated that they had discussed increasing the Road Tax millage to 3 mills if Bella Vista incorporates, and one-tenth of a mill brings in about \$130,000. He added that if they can increase the County General millage, that will be the way to go because that will mean more dollars to offset the loss of Bella Vista. JP Allen asked if anyone knows how the Bella Vista residents will be impacted, because they will need new taxes to run the city services, and county taxes may increase on top of that to offset the loss of Bella Vista revenue. JP Wozniak stated that the Transition Committee, who he does not agree with, claim that the administration side of the new city can get by with 1 mill, or about \$375,000. He said that they are counting on the rest of the money coming from the Property Owners Association the first year. He said he believes they will find that it will not be enough, and they will bump it up to 5 mills as soon as they can. JP Summers stated that he did not believe they could go to 5 mills immediately without violating Amendment 59. Richard McComas stated that he does not know how they will set a millage and get it certified in November, when they will not know who the city council is until after the election, and they will not be sworn in until January. JP Stephenson stated that he did not mean to be uncaring, but it is really no concern to the Quorum Court.

Richard McComas went over the method used to calculate Revenue. He said they took the last 5 years of actual tax revenue, estimated what it will be at the end of 2006, and projected what it will be in 2007, which is a 9.69% increase over 2005. He said they also looked at the tax charge for each year, and the percentage of the charge which was actually collected each year, which they are estimating to be 90% in 2007. He said they also consider the tax charge increase percentage each year, and noted that the increase was 65% in 2005 because the County General millage was raised from 3.5 to 5 mills. He said the percentage of collection from the Road Tax is much lower because much of that tax goes to the cities. JP Stephenson asked if the disparity in the 90% that is collected and the amount that is owed is due to the mobility of the population and people who move away without paying the taxes they owe. Richard McComas stated that is correct. JP Summers noted that Delinquent Real Estate Tax in 2005 totaled \$343,000, which would bring the collection percentage up another 2 to 3 percent. He asked if every dollar owed would eventually be collected through delinquent land sales. Richard McComas stated that they would never get 100% collection, because even when they eventually collect on a particular parcel, another one will become delinquent. JP Stephenson asked how the county receives income from Property Tax Relief. Richard McComas stated that it comes from the State, and reimburses the \$300 Tax Credit that property owners receive. He said that he feels very comfortable with the predictions that they have made for next year.

Richard McComas went over the Revenue Sheet, stating that they adjusted for this year's property taxes. He said that the two biggest adjustments in Miscellaneous Revenue were from the Aviation Fuel money from Northwest Regional, and from a \$60,000 grant which was not budgeted. He said that the Amendment 59 money was returned, and they have a better interest rate than they have had in the past. He said that as the budget grows, the Reserve Fund grows and generates more interest income.

JP Schindler stated that they should look at the Cox Cable Franchise Agreement next year and see if there is anything that they can do to make sure the county's rights are protected.

JP Summers stated that when they looked at line item 8765 in the Planning Department at mid-year, it was above budget projections, and it is now below projections. Richard McComas stated that the number of building permits being issued is down in every city in the county. JP Summers asked if the absence of a Director was causing anything to be missed. Richard McComas stated that it was not a problem. JP Summers stated they might need to look at the number of people in the department, because when the department was expanded last year it was with the understanding that it would be self-funded. JP Moore stated that there may also be a seasonal effect on the numbers. Richard McComas stated that the only major difference in the 2007 Road Department Budget would be the Transfer from General Fund, due to the Road Grader purchase. He said that over all there is only a \$470,000 difference over last year's budget, and that some departments actually are less than last year. JP Summers asked if these numbers included Capital Requests. Richard McComas stated that they did, but that none of the Personnel requests are included. JP Allen asked how they have budgeted fuel costs for 2007. Richard McComas stated that they increased it, even though fuel costs have gone down in the last month. He said that consumption has remained steady over the last several years, and they want to be prepared for a rise in fuel cost next year.

Richard McComas explained that the pay increase will not be 5% across the board, due to turnover and positions that are budgeted at 90% but remain unfilled. He added that FICA will increase 5%, but that the Worker's Comp rate has gone down a little, and the retirement rate stayed the same. JP Summers asked if they could get some data on the turnover rate, because one reason they have been giving pay increases over the last few years is to compete in the competitive job market. JP Schindler asked what the county's responsibility was toward the Health Department. Richard McComas stated that the county provides the building, office equipment, and supplies but no personnel. JP Moore asked if Blair Johansen had made any recommendations on the salary scale. Barbara Ludwig stated that they do a salary study at the end of each year. JP Stephenson asked why they have to provide the Health Department with anything, and asked what they are doing for the county. Richard McComas stated that they do provide services to citizens of Benton County. JP Stephenson stated that they only give shots, and do nothing to enforce health or sanitation, and give extensions to people who are violating septic system regulations. JP Allen stated that they give approval for developments and homes. JP Stephenson stated that you could just go ahead and put it in without approval because they won't do anything about it. JP Summers stated that the building was expanded with a \$500,000 grant, and they do provide a lot of medical services to county residents. There were no further questions regarding the summary sheet, and JP Summers commended Richard McComas and Michele Anderson on their work in preparing the budget.

The committee went over Capital Requests from each department. A discussion was held concerning CenCom's need for a vehicle. JP Moore suggested using a motor pool for departments that only occasionally need a vehicle. JP Summers stated that the county needs a county wide vehicle policy. Barbara Ludwig stated that there is one included in the proposed changes in the Employee Policy, but it does not address who should or should not have a county vehicle. The committee questioned the Tax Collector's need for a vehicle. Richard McComas stated that the Collector travels to all three of the satellite offices, and the practice was instituted during a previous administration. JP Schindler stated that he believed it was begun when the Collector started visiting businesses to collect Delinquent Business Taxes.

The committee discussed the Sheriff's Office request for vehicles. Richard McComas stated that the Sheriff purchases the most vehicles he can with the amount of money that he gets each year, and that he is requesting \$6,000 less this year than last year. The committee discussed the number of vehicles in the Planning Department. JP Summers stated that whether or not a vehicle needs to be replaced should not be up to the individual departments, but that some assessment of the condition should be required.

JP Summers announced that the next Finance Committee meeting will be October 31, 2006 at 2:30 p.m., and that they will meet the new Planning Director just prior to the October 26, 2006 Quorum Court meeting.

After motion and second the meeting adjourned at 4:10 p.m.